

COMMISSION DIRECTIVE

ADMINISTRATIVE MATTERS _____

DATE January 26, 2005

MOTOR CARRIER MATTERS _____

DOCKET NO. 2004-212-S

UTILITIES MATTERS XXX

ORDER NO. 2005-42

SUBJECT:

Docket No. 2004-212-S – Development Service Inc. – Application for approval of a new schedule of rates and charges for sewerage service provided to residential and commercial customers in all areas served. Hearing Held: January 5, 2005. This matter is ready for final disposition.

COMMISSION ACTION:

Accepted the accounting adjustments for Phase 1 recommended by the Office of Regulatory Staff (ORS), including a 45-year depreciation for pipes, with the following exceptions:

1. Rate case expenses be increased by an additional \$6,659 to reflect updated legal expenses which were filed as a late exhibit
2. Total rate case expenses of \$25,650 be amortized over a 3-year period
3. O&M expenses be increased by \$53,895 to reflect increased treatment expense payments to Bush River Utilities resulting from a rate increase
4. Revenues be increased to correct for ORS netting uncollectibles from revenues but including uncollectibles in expenses.

Adopted the Phase 1 rates as proposed by Development Services, Inc. (DSI) except for tap fees. Denied the requested increase in tap fees. The proposed rates combined with the above accounting adjustments will produce increased revenues of \$71,860 in Phase 1 and a 1.02% operating margin.

Approved a Phase 2 rate increase after construction is completed and adopted the rates proposed by DSI with the following accounting adjustments and under the following conditions:

Accounting adjustments

1. O&M expenses be increased by \$35,910 to reflect increased treatment expense payments to Bush River Utilities resulting from a rate increase
2. carry forward of other accounting adjustments from Phase 1

Conditions

1. DSI maintain its books and records according to the NARUC System of Accounts
2. ORS perform an audit of DSI prior to DSI implementing the Phase 2 rate increase
3. DSI be in compliance with DHEC regulations and requirements.
4. DSI must comply with the bonding requirements established by this Commission.

The proposed Phase 2 rates will increase revenues by an additional \$47,880 and result in an operating margin of 3.25%.

Required a \$100,000 bond for DSI. Waived that portion of Regulation 103-512.3.1 which requires that the amount of bond be based on, but not limited to, the total amount of certain categories of Company expenses for twelve months. Commission Regulation 103-501.3 states that in any case where compliance with any of the rules and regulations introduces unusual difficulty, such rules or regulations may be waived by the Commission upon a finding by the Commission that such waiver is in the public interest.

Considering the present financial position of the Company, and considering the fact that the Company has had difficulty in the past in obtaining a surety bond, agreed that setting the bond in the amount recommended by ORS, which is in line with the cited portion of the Commission Regulation is going to introduce unusual difficulty for the Company in complying with that portion of the regulation. Further, the waiver of the stated portion of 103-512.3.1 is in the public interest, since it allows the Company to more easily transition to a bond amount in line with the statutory language found in Section 58-5-720. The waiver should be granted. DSI must comply with the bonding requirement by completion of construction of Bush River's new treatment facility. The Commission will review bonding requirements if a merger of the three companies occurs.

Denied the ORS recommendation that DSI, as well as Bush River Utilities and Midlands Utility, be required to develop and implement a Business Plan. DHEC and lending institutions already require some type of plans from DSI. Any further planning requirements would be burdensome and may detract from DSI or its sister companies devoting resources to upgrading the system and

Supplemental Agenda #1

bringing it into compliance. While recognizing that a clearly written plan would be most desirable and could prove beneficial to the future operations of the Company, the authority of the Commission to require planning documents is questionable. Denial of this request should not be interpreted that the Commission finds no benefits in formalized business plans.

Denied the ORS recommendation that any rate increase be conditioned with the requirement that DSI, Bush River Utilities, and Midlands Utility merge. The Commission lacks the authority to require such a merger. However, the Commission reaffirms its position encouraging such a merger as stated in Order No. 96-44.

It is apparent to the Commission that the managing personnel of DSI and its sister companies lacks sufficient knowledge of Commission rules and regulations and statutes concerning water and sewer utilities. The managing personnel must obtain a better understanding of such rules, regulations, and statutes. ORS may be able to provide assistance in this endeavor, and we would encourage that.

PRESIDING Mitchell

CLYBURN Yes

FLEMING Yes

HAMILTON Yes

HOWARD Yes

MITCHELL Yes

MOSELEY Yes

WRIGHT Motion

REGULAR SESSION X

SPECIAL SESSION _____

TIME OF SESSION 2:30PM

APPROVED _____

APPROVED STC 30 DAYS _____

ACCEPTED FOR FILING _____

DENIED _____

AMENDED _____

TRANSFERRED _____

SUSPENDED _____

CANCELED _____

SET FOR HEARING _____

ADVISED _____

CARRIED OVER _____

RECORDED BY P. D. Riley